

## **SUBCOMMITTEE NO. 3**

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## **Agenda**

**Senator Denise Moreno Ducheny, Chair**  
**Senator Dave Cox**  
**Senator Wesley Chesbro**



**Friday, May 19, 2006**  
**11:00 a.m.**  
**Room 4203**

**Consultant: Dave O'Toole**

### **DEPARTMENT OF VETERANS AFFAIRS**

***Discussion Item*..... 2**

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## **8950 Department of Veterans Affairs**

The Department of Veterans Affairs (DVA) has three primary objectives: (1) provide comprehensive assistance to veterans and dependents of veterans in obtaining benefits and rights to which they may be entitled under state and federal laws; (2) afford California veterans the opportunity to become homeowners through loans available to them under the Cal-Vet farm and home loan program; and (3) provide support for California veterans' homes where eligible veterans may live in a retirement community and where nursing care and hospitalization are provided.

The department operates veterans' homes in Yountville (Napa County), Barstow (San Bernardino County), and Chula Vista (San Diego County). The homes provide medical care, rehabilitation, and residential home services. With \$50 million in general obligation bonds available through Proposition 16 (2000), \$162 million in lease-revenue bonds (most recently amended by AB 1077 [Chapter 824, Statutes of 2004]), and federal funds, new homes will be constructed in West Los Angeles, Lancaster, Saticoy, Fresno, and Redding.

The Governor's budget funds 1,608.6 positions (including 139.1 new positions) and budget expenditures of \$314.7 million for the department, including the veterans' homes.

### **1. BCP: Barstow Veterans Home—Intermediate Care Facility to Full Capacity**

The Department of Veterans Affairs requests to expand available beds from 40 to 60 at the intermediate care facility at the Barstow Veterans Home. The department will add 10.6 positions and augment by \$1.334 million (\$906,000 General Fund). The 20 beds were voluntarily shut down in 2003 after a series of incidents involving mistreatment of residents at the Barstow facility. The Department of Health services restored the Barstow Veterans Home authority to begin reopening a nursing facility in April 2005.

**Staff Comment:** The position request does not include a reduction for salary savings. Consistent with the discussion in issue #5, salary savings should be budgeted at five percent and any funding shortfalls addressed with a specific proposal. Furthermore, since these positions will not be filled at the start of the budget year, recognition of a five percent salary savings is especially appropriate in the first year.

A 2003-04 negative BCP, which recognized the closure of the specialized nursing facility at the Barstow Veterans Home, shows a minimal loss of non-consultant, non-equipment, operating expense (OE) related to the 174 positions lost. Specifically, only \$47,000 was reduced along with those positions. At an absolute minimum, each position reduction should have been accompanied by an OE reduction of \$3000 per position, or \$522,000.

The DVA has disclosed that since the closure of the Barstow skilled nursing facility in October 2003, the Home has redirected approximately \$311,000 in operating expense to temporary help. On an annualized basis, the department has redirected approximately \$120,000/year from available OE to temp help.

Based on this information, the OE funding requested with the ten new positions, \$405,000, should be reduced by \$355,000 (\$522,000 - \$120,000 - \$47,000) to reflect already available OE funds.

At the May 18 hearing, the department raised a new issue regarding an OE shortfall in the budget request. Specifically, funding for per patient variable costs was not included. Based on a calculation of \$44 daily allotment for patient "OE" (costs such as food, laundry, outside medical services, pharmacy, eyeglasses, and other related support services), the 20 new beds require \$321,000.

**Staff Recommendation:** REDUCE the BCP by \$53,000 to recognize:

- a. Reduction of \$355,000 in operating expense complement for the new positions
- b. Five percent salary savings (reduction of \$19,000)
- c. Increased costs of \$321,000 for per patient OE costs.

**VOTE:**